

DS

740

.5

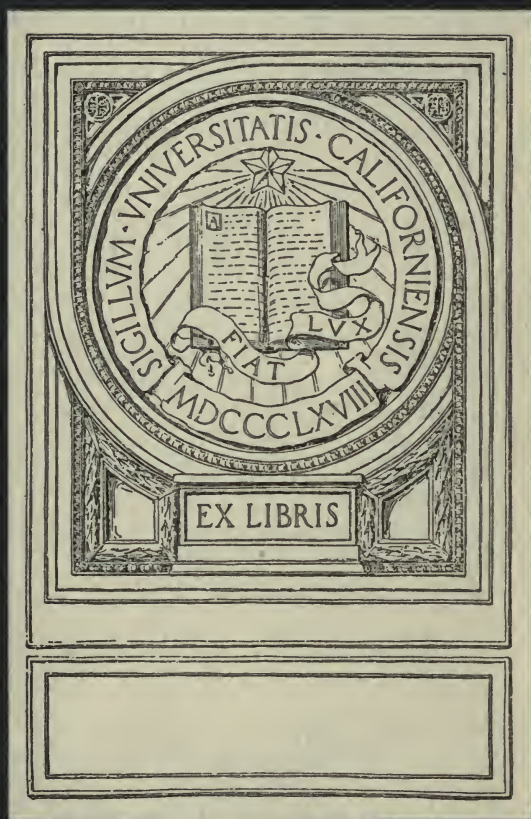
U5R6

UC-NRLF



\$B 294 922

YB 28423



THE FREEMAN PAMPHLETS

ASIA'S AMERICAN PROBLEM

A Diffident Discussion of the
Project sometimes called the New International
Chinese Consortium, and of certain other
combustible matters pertaining
thereto,

by

GEROID TANQUARY ROBINSON



NEW YORK
B. W. HUEBSCH, Inc.
MCMXXI

25c.



Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation

THE FREEMAN PAMPHLETS

ASIA'S AMERICAN PROBLEM

A Diffident Discussion of the
Project sometimes called the New International
Chinese Consortium, and of certain other
combustible matters pertaining
thereto,

by

GEROID TANQUARY ROBINSON



NEW YORK
B. W. HUEBSCH, Inc.
MCMXXI

JS740

5

U5R6

Copyright, 1921, by B. W. Huebsch, Inc.

Carpenter

For permission to reprint those portions of this pamphlet which appeared originally in the pages of The Pacific Review and The Freeman, the author makes grateful acknowledgment to the publishers of these periodicals.

459125

ASIA'S AMERICAN PROBLEM

The new Far Eastern policy of the United States Government has created in Asia an "American problem" which is by all odds the most important factor in Asiatic-American relations.

Now as a matter of course, this is not the sort of statement with which one ordinarily launches out upon a casual conversation. It resembles rather a proposition to be proved. And yet the writer has neither argument nor proof in view, but intends simply to talk upon this subject for a while, diffidently, and with no show of an assurance he does not feel, in the hope that certain topics which have gone for a long time undiscussed may presently receive the attention they seem to him to deserve.

I. CLOSING THE OPEN DOOR.

To begin with, it may be said with a show of reason that the United States has never been in a position to profit very much by the maintenance of a system of spheres of influence in China. This much may be gathered from the history of the other late comers in the field—Germany and Japan. These powers, like the United States, had open to them the choice between entering tardily into the old game, and attempting to substitute new rules which would minimize the disadvantages of their late arrival on the scene. Germany chose the former course, and followed it with no great success. If

Japan had better luck, it was largely because the Russo-Japanese War placed in her hands a group of concessions such as no late comer in China could have acquired peacefully. When the United States adopted the alternative policy, and promulgated the doctrine of the Open Door, it is fair to assume that self-interest was at least as effective as altruism in the councils of our Cabinet. If the Open Door policy did not become fully effective, it was largely because Great Britain and Russia, the chief beneficiaries under the old system, were just as much opposed to the abandonment of this system as they were to the expansion of German and Japanese holdings under it. In other words, each of the Powers favored the system that would serve it best; and it seemed that, at this stage of the game, the interests of the United States were coincident with those of China, and opposed to those of the great concessioners.

Things continued pretty much in this state until the outbreak of the great war, when the bottling up of Germany and the preoccupation of the Allies with European affairs, enabled Japan to increase her influence in China very rapidly by taking over the German holdings, by enforcing the famous "demands" upon the Chinese Government, and by financing the warring factions which divided the country. The United States was naturally regarded as the enemy of this kind of expansion; and it is generally thought that China entered the war in the hope that this move would enable her to take advantage of the supposedly permanent identity of Chinese and American interests.

With the publication of the Lansing-Ishii Agreement, the process of disillusioning the Chinese was begun. Mr. Lansing has held that this Agreement was in essence a re-affirmation of the Hay Doctrine; but most unfortunately the note included the statement that "the Government of the United States recognizes that Japan has special interests in China, and particularly in that part to which her possessions are contiguous." The Japanese Government has interpreted this statement as an acknowledgment of Japan's special and even dominant position in China, and from the fact that the agreement was drawn up and signed entirely without the knowledge or consent of China—the party most concerned—one may infer that the Japanese interpretation is at least as plausible as that of Mr. Lansing.

At Paris, President Wilson might perhaps have cleared up the uncertainties created by this unhallowed agreement, but the use he made of the opportunity seemed to confirm the broadest claims of the Japanese imperialists; for here again a matter which touched the national interests of China was disposed of in accordance with a secret agreement to which China was not a party—not this time a note from Mr. Lansing to Mr. Ishii, but a secret treaty between Great Britain, France and Japan, in accordance with which the German holdings in China were to pass to the power last named. Whatever may have been the reasons for this disregard of the rights of China, the Chinese might with reason have concluded that their own interests and those of America were no longer exactly identical.

Yet in the process of becoming anti-Chinese, American policy had not become pro-Japanese, and hence what was lost on the one hand was hardly made up by gains on the other. Not only had the Government at Washington persistently "misinterpreted" the Lansing-Ishii Agreement, but in the matter of Shantung, Mr. Wilson had yielded most ungraciously and only after long debate. And besides this, America had been by no means as friendly as the other powers to Japanese advances in Siberia. Upon the protest of the United States, the original arrangement for intervention by Japanese troops alone had been abandoned, and a new agreement drawn, which provided that the United States, as well as several of the Allied Powers, should participate in the affair. During the period of American operations in Siberia, the Japanese were frequently at outs with the American military, and with the officials of the railway administration. When Japanese troops occupied Vladivostok four days after the departure of the Americans, it looked for a while as though the Governments of the two countries had come to an understanding; for not only did Washington fail to protest the seizure, but a dispatch from the capital said that "Japan's vital interest, from the point of view of national defense, in the maintenance of troops in Siberia is recognized by the [American] Government." But with the publication of the American protest against the Japanese seizure of the northern half of the island of Saghalin, the two Governments were seen to be again at odds on the Siberian question.

In the meantime the United States had initiated another project which was destined to reveal the widest differences of opinion between Washington and Tokio. On July 29, 1918, the State Department announced America's intention to take a hand in the financial rehabilitation of China, in a statement which read in part as follows:

"China declared war against Germany very largely because of the action of the United States. Therefore this Government has felt a special interest in the desire of China so to equip herself as to be of more specific assistance in the war against the Central Powers. . . . An agreement has been reached between [certain bankers] and the State Department which has the following salient features:

"First—The formation of a group of American bankers to make a loan or loans [to China]

"Fifth—Assurances that, if the terms and conditions of the loan are accepted by this Government and by the Government to which the loan is made, . . . the American Government will be willing to aid in every way possible and to make prompt and vigorous representations and to take every possible step to ensure the execution of equitable contracts made in good faith by its citizens in foreign lands. . . .

"Negotiations are now passing between the Government of the United States and those Governments [of Great Britain, Japan, and France] which it is hoped will result in their co-operation and in the participation by the bankers of those countries in equal parts of any loan that may be made."

Great Britain and France readily agreed to enter the new International Chinese Consortium here projected, but Japan held aloof until the summer of 1920. The reason for eagerness on the one hand, and reluctance on the other, is not far to seek. One of the prime objects of the Consortium was the substitution of international

co-operation in the financing of China, for the further competitive expansion of national spheres of influence. Because of their numerous troubles in Europe, and later in newly acquired colonies and mandate areas, France and England were unable, for the time being at least, to push their claims in China under the old competitive system. On the other hand, the maintenance of this system exactly suited the needs of Japan, since she alone was in a position to extend her sphere of influence. After two years of negotiation, Japan finally entered the Consortium, but whether with or without reservations is a matter still in dispute. On the one hand there is the statement of the most important promoter of the project, Mr. Thomas Lamont of J. P. Morgan and Company, that "Japan withdrew her reservations in toto, and the Japanese Government authorized its banking group to enter the Consortium without qualification." And to balance this—or out-balance it—there is this equally specific assertion of Premier Hara of Japan:

"As to the reservations made on our side in regard to Manchuria and Mongolia, . . . something vital to us as a nation is involved in the matter. . . . This is not a new phase of the Japanese policy since it was expressly recognized in the Ishii-Lansing Agreement. . . . America, France and Great Britain now fully appreciate our situation and are in perfect accord with us."

This last statement is of a later date than the official correspondence on the subject of the reservations which the State Department at Washington issued to the press on 29 March, 1921. But whether or not Japan has been granted the exceptional right to expand her private sphere of influence in Manchuria and Mongolia, it is fairly

certain that the Consortium sets limits of some kind to a process of Japanese penetration which might otherwise have gone on indefinitely; and it is equally certain that this limit was fixed at the instigation of the United States, and after long opposition by the Government at Tokio.

Since the Consortium does not affect enterprises already established, and since the protest of Washington against China's cancellation of Russian privileges seems to indicate a great solicitude for the preservation of the existing spheres, the Japanese may with some reason conclude that America's Far Eastern policy is not pro-Chinese, or anti-concessionary in any general sense, but simply anti-Japanese.

II. "IN THE INTEREST OF CHINA."

Is it then to be supposed that with the launching of the Consortium, the flirtation with Japan has come to an end, and the old identity of American and Chinese interests has been re-established? The well-informed promoters of the Consortium have said again and again that all the operations of this new body will be conducted "in the interest of China," and the press has played this tune over repeatedly, with all possible variations. The writer is obliged to admit that he has only the haziest notions as to what the interests of China may be; notions as hazy, perhaps, as those of most of the paragraphers who have broken a thousand bottles of ink over the bow of the Consortium, and have sent it thus blithely forth upon the unknown sea.

This launching is likely to have large consequences, of some sort or other; hence it may be worth while to inquire what the Chinese think these consequences will be. It is very likely that the Chinese themselves do not know what is good for China, but there can be no harm in trying to ascertain their judgment as to where their interest lies. Is there such a thing in China, then, as public opinion? Is popular sentiment favorable to the Consortium, or opposed to it? A few press-dispatches and some stray items of first-hand testimony seem to indicate that public opinion can hardly be said to exist, and that the sentiment of the most intelligent group in the country—the student-class—is divided on the question.

Beyond this very limited evidence, one can not go; but this hardly relieves Mr. Lamont and his friends of the obligation to do what they can to prove that a decent number of Chinese approve of the Consortium project. If the Consortium is actually being formed in the interest of China, and if there is one man in China, in or out of the Government, who knows what that interest is, the promoters of the Consortium would have nothing to lose and everything to gain by taking that man into their confidence. But if any representative of the Chinese Government, or any individual citizen of the Republic was admitted to the councils of the Consortium during the formative period, the fact has escaped public notice; and now that the final agreement between the banking groups and the Governments of the United States, Great Britain, France and Japan has been formulated, no special importance attaches to

the intimation that Chinese participants may hereafter be admitted to the inner circle.

It appears, then, that China has had as little part in the preparation of the Consortium-agreement as the Germans had in the drafting of the Peace of Versailles. China may accept the terms, or reject them, it is said; but the choice is hardly more real than it was in the case of Germany. To be sure, Sir Charles Addis, who represented the British group at the recent New York conferences, has said that "without the assent and goodwill of China the Consortium is not only powerless to act, but has no desire to act." And Mr. Thomas Lamont, representing the American group, has stated that no attempt will be made to influence China unduly to take loans, and that assistance will be provided only if China desires it.

All this has the show of reason; but no more than the show of it. Report has it that the monthly deficit of the Chinese Government comes to something like \$6,000,000; the amount of fluid capital within the country is limited, and it is admitted on all hands that the country is practically bankrupt. China must borrow; and the nations from which she must borrow, now including Belgium, have just reached an agreement to handle through the Consortium all the loans to China which are "of a character sufficiently important to warrant a public issue." With all due regard to the possibility that small domestic or foreign loans may still be negotiated independently, one must still conclude that as between the acceptance and the rejection of the Consortium-

conditions, China can have, in the long run, no real choice.

But perhaps this is not such a bad thing for China after all. If the country prospers under the treatment she is to receive, it may some day be forgotten that no Chinaman⁵² was called in consultation when the prescription was prepared. And certainly China is no Paradise under the present system of disunity, periodic revolution, corrupt finance, and competitive concession-hunting. The pooling of foreign interests will undoubtedly result in the elimination of one of the chief sources of trouble; and in the end, the Consortium-group may actually achieve the political and economic rehabilitation of the country. Indeed, China *must* be made into a going concern, politically and economically, if the bonds underwritten by the financiers are to be worth the paper they are printed on.

However, this task of reconstruction can not be carried out solely by the advancing of funds. Paul S. Reinsch, former United States Minister to China, gives a hint of the manner in which the rehabilitation of China is to be accomplished when he says:

"The foreign lenders have the right to demand security for their investment. . . . The best security from every point of view is found in improved methods of revenue and general administration."

One of the latest newspaper reports on the subject says, more specifically:

"Some of the conditions under which an initial loan may be made, it is understood, are:

"Disbandment of the standing armies;

"Reunion of the North and South;

"Assignment of a part of the loan to the southern provinces;

"Supervision by representatives of the consortium of the expenditure of the loan;

"Pledging of the surplus of the salt gabelle, of customs duties and other income, to guarantee repayment of the loan."

The last two conditions have been mentioned repeatedly in other reports, and it may be concluded that they are fairly well settled upon. When the security of the new loans depends of necessity upon the peace and prosperity of China, it is only natural that the Powers should contemplate a sort of collective guardianship, with a considerable participation in the internal affairs of the Republic. A cable from Peking even goes so far as to say that the situation requires

"not only foreign auditing after expenditure of the loan-proceeds, but foreign approval before expenditure and foreign supervision during expenditure. And inasmuch as there must be protection of the security for the loans, there must be supervision over the collection and disbursement of the ordinary revenues of the Government. And this means an international financial trusteeship."

A recently published memorandum, bearing the date of 8 October, 1918, reveals the complacency with which the Government of the United States would look upon the establishment of such a trusteeship. In a previous communication, it had been stated that the Government "would be opposed to any terms or conditions of a loan which sought to impair the political control of China, or lessened the sovereign rights of that Republic." The memorandum of 8 October says that this reservation "had reference only to the future activities of the American Group, and was not intended to call in question the propriety of any speci-

fic arrangement in operation between the former Consortium and the Chinese Government, or between any other Government and the Chinese. It can be definitely stated that the United States Government did not mean to imply that foreign control of the collection of revenues or other specific security pledged by mutual consent would necessarily be objectionable, nor would the appointment under the terms of some specific loan of a foreign adviser, . . . as, for instance, to supervise the introduction of Currency Reform."

Now, whatever may be said for this method of procedure as a temporary expedient, hardly anybody will argue that a perpetual protectorate can serve the interest of China. Consequently there has been always in the background of the current discussion of the Consortium a vague assumption that some day, when the affairs of the Republic are nicely straightened out, the Powers will retire, and leave China to enjoy in full sovereignty the fruits the Consortium has borne. This assumption may be well grounded in an inherent faith in the goodness of humanity and the righteousness of nations; but what other reason anyone can have for accepting it, it is hard to see. Just in proportion as the Consortium-groups succeed in rehabilitating China, in that proportion the value of the country as a field for investment will increase. On the whole, then, it seems that the likelihood of a peaceful withdrawal of the Powers must vary inversely with the prosperity of the country.

Of course it may be argued that even under these conditions, material prosperity is not bought at too high a price. Let the Powers but develop the resources of

China sufficiently, and the country will be strong enough to rid herself of her guardians, if they will not go of themselves. In the chain of logic that leads to this conclusion, there are weak links in plenty, and the conclusion itself is not likely to be put forward by the friends of the Consortium as an argument in favour of their enterprise. Nevertheless, the development of China's material strength seems to offer the only possibility of escape from the Consortium, once it is established; and this means that the period of tutelage may be extended indefinitely.

To say this is to say that in the Chinese themselves is the only hope of China. To believe anything else is to cling to a child-like faith which is hardly justified by the history of Western imperialism in the Orient. Any effort upon the part of the Chinese themselves to keep alive such a faith in foreign beneficence, is the worst sort of nonsense. The wants and needs of the Chinese people are their own particular business; any other belief promises to keep the Chinese everlastingly where the Powers want them—in the class of international dependents, defectives, and delinquents.

III. WILL CHINA MUDDLE THROUGH?

If China is compelled to accept the kind offices of the Consortium, it will be the chief concern of the international mortgagees to hasten the revolutionary economic changes which are already under way in the Celestial Republic. Nowadays, of course, the Industrial Revolu-

tion is commonly thought of as a finished episode of history, ready to be analysed, evaluated, and shelved along with such antiquities as the Crusaders, the Renaissance and the Reformation. As a matter of fact, it may be said with at least a show of reason that the Industrial Revolution is still in full swing in Western Europe and in the United States; and certainly it is true that the thousand million inhabitants of the continent of Asia have as yet been hardly touched by its influence. If this revolution is destined to produce in China and elsewhere in Asia a series of changes as fundamental as those which have already occurred in Europe, then as a world-movement it has no more than begun, and the discussion of its most important effects is still the business of the prophet rather than the historian.

In the material conditions of Asia there is the promise of early developments of the most profound significance. Of the five factors named by Mr. J. A. Hobson as necessary for the rise of the system of production which has characterized the Industrial Revolution, three are already present in varying measure in the East, the fourth is being supplied by Europeans, and the fifth factor alone remains an uncertain quantity. The conditions already fulfilled in Asia are: first, the production of wealth not required to satisfy the current wants of its owners; second, the existence of a labour-surplus, here more abundant than that created in England by the Enclosures; and third, the presence of large and accessible markets. The fourth factor includes all those mechanical devices and industrial processes which have

been so highly developed in the West, and the fifth is an imponderable which Mr. Hobson has called "the capitalistic spirit."

Since Asia has long possessed by inheritance the three comparatively static prerequisites for the Revolution—wealth, labour and markets—and is now accepting, under pressure of economic necessity, the first of the new dynamic factors, it may be said that all the material conditions for the Revolution are already present. Thus, the Orient is being swept into a movement, the character and results of which seem to depend almost entirely upon the quality of Asia's non-material importations from Europe, and upon the extent to which Asiatic and European influences operate to modify in Asia the spirit which tolerated all the horrors of the earlier stages of the Industrial Revolution in the West.

Although it is true that economic changes may restore the balance which has held against Asia since the Middle Ages, and thus set once more in motion towards Europe "the rising tide of colour," such a result would be, after all, a by-product. The question of primary and planetary importance is this: what will be the direct effect of the new material civilization upon the life of *the Asiatics themselves*? For the future history of the world as a whole, it is perhaps impossible to frame at this time a question more profoundly significant than this.

In the attitude of the four representative peoples of Asia towards the material and non-material achievements of the West one may discover some hint as to

the use that the Orientals will ultimately make of the tremendous new forces that are now in process of generation. The following remarks on this subject are put forth in the full consciousness that it is impossible for any casual commentator to speak with authority in such broad terms and upon such uncertain issues as these; and yet it does seem that in common report and the common understanding of Asiatic affairs, evidence of certain broadly significant tendencies may be discovered.

It is extremely unsafe to hazard any generalization which refers to the people of India as one people, and yet it may be said with tolerable certainty that India has submitted to, rather than desired, the importation of new machines and new methods of production, while the articulate elements of her population have shown themselves somewhat interested in Western ideas of political democracy, though comparatively indifferent to the remainder of European thought. If this tendency holds, the natural result will be a long period of *political* experimentation, first under British sovereignty and then perhaps by the natives, during which time India will enjoy more than a full measure of all the evils that England suffered early in the nineteenth century.

Of dismembered Turkey, one can say nothing definite, although the situation was fairly clear in *ante-bellum* days. At that time, the dominant group was extremely hospitable to European materialism, and more specifically to the industrial efficiency and the political centralization of Germany. With Japan, the case was, and is, much the same, except that here the initiative has

come definitely from the native governing class, who have borrowed indiscriminately such elements of European civilization as promised to serve their interests. In the case of Japan, more clearly than in that of Turkey, the tendency has been to import the mechanism and the materialism of the Industrial Revolution, with none of the correctives that bitter experience has suggested to the Europeans of the present generation. Thus it is perfectly natural that the Japanese people should be undergoing at the present time a plague of progress and poverty, very much like that which once devastated Lancashire and Yorkshire. Nor is there any substantial relief in prospect, for in Japan more even than in Germany, the Industrial Revolution is the work of the Government, and the remedies most likely to be tried, when conditions become altogether unendurable, are obviously those of State-socialism.

With China the case is hardly so clear. Here the new machines and the new methods of the West have not hitherto had a single official promoter, like the British Government in India or the Autocracy in Japan, although the Consortium now promises a somewhat similar sponsorship; indifference to politics is said to be once more rather general, as a consequence of the disappointing experiences of the revolt against the Manchus; and upon the whole the country seems to exhibit still that easy and natural anarchism in economic and political affairs which is considered to have been always somewhat characteristic of the Chinese.

Under such circumstances, partly of its own creation, it is only natural that the Chinese student-movement should have turned from its early political interests to miscellaneous adventures of the intellect. In 1919 there were only one or two journals published in the Chinese vernacular, while to-day there are more than three hundred. This change does not involve the abandonment of a classic international language, such as Latin once was in Europe; it means the substitution of one Chinese language understood by millions, for another that is read by a comparatively small class. The students have interested themselves also in the importation of a variety of European ideas which have as little as possible to do with the working out of the Industrial Revolution according to the old and ruinous plan. The journals of the student-movement teem with articles on socialism, communism and anarchism, as well as on more erudite subjects, and indeed the students seem to have centered their attention upon those particular phases of Western life and thought that have been most studiously avoided by the Mikado's official importers.

If the students of China are only left free to concentrate their attention for a while upon these non-material offerings of Europe, they will discover some evidence of discontent with the use that has been made of the vast powers generated there by the Industrial Revolution, and an occasional expression of doubt concerning the ability of the political State to control these powers for the public good. They will know in advance, as Europe could not have known, that an increase in pro-

ductivity is not always accompanied by an increase in well-being, but sometimes by its exact opposite. When they have meditated upon these things, and have considered also the demonstration of the Russian Marxians themselves that nothing is inevitable, not even the course of Marxian evolution and revolution, they may be tempted to seek earnestly for economic solutions of the economic problems that rest with steadily increasing weight upon the shoulders of the Chinese people.

IV. AMERICA'S COURSE OF EMPIRE.

If the serviceability of the Consortium to China is at least questionable; if the active and increasing participation of this country in Asiatic affairs has gained for America the ill-will of Japan; it should at least be demonstrable that the Far Eastern policy of the United States is "pro-American"—that is, it should be so, if this policy is to be held worthy of support on any grounds.

Some effort has already been made to show that, in so far as it was effective at all, the Open Door policy did actually serve the interest of the United States, since it helped to open Chinese markets to American goods, without at the same time involving the country in political entanglements. On the other hand, it would be difficult to demonstrate that the Lansing-Ishii agreement could possibly have brought good results of any sort to America. The surrender of Shantung is so involved with the other doings of the Peace Conference that its effect—if it had any effect, other than the evil it worked to

China—is hardly capable of appraisal. Likewise it is still to be proved that any good has come of American meddling in Siberia; the Japanese went in first with the consent of the American State Department, and the prospect is that they will stay, in spite of American protests, until the Russians are able to put them out.

But to-day the Consortium is the most important factor in the Far Eastern situation, and by its results the Asiatic policy of the United States must be judged. All discussion of this project has hitherto been conducted upon such a high moral plane, and the interests of China have been so long and so carefully considered, that one may hardly turn now without an apology to a minor phase of this laboured subject—the interests of America. If such a shift of emphasis gives evidence of a selfishness altogether out of keeping with the spirit of this missionary enterprise, any attempt to open up the matter still further by drawing distinctions between the interests of the individual promoters of the Consortium, and those of the balance of the American citizenry, must be regarded as even more unseemly. To say that these promoters have put American interests above the interests of China, is to attribute to them a type of selfishness most easily condoned. But to assert that America can not profit by the high position here given her, is to intimate that her gentlemen-adventurers are serving no interests but their own; and this is indeed to assault the last trenches of their altruism.

Next to China and Japan, America is the nation most concerned in the Consortium-negotiations, but unlike

China, America has been a party to these negotiations from the beginning. Not only did the American Government take the initiative in this affair, but it appears likely that most of the financial operations under the Consortium will be conducted by American financiers. Such a contingency is provided for in certain paragraphs of the agreement, officially summarized as follows:

“Articles 3 and 4 provide for complete equality among the groups in all business undertaken by the Consortium, and reserve freedom to each group to decline to participate in any business which it does not desire to undertake.

“Article 5 provides that, so far as possible, the parties to any operation shall not be jointly liable, each of the groups undertaking to liquidate its own engagements.

“Under Articles 6 and 7, any group not desiring to make an issue in its own market may request the other groups to include its share in their own issue.”

The extent to which the American banking-groups may be expected to take advantage of these conditions is indicated in the following statement by Mr. Thomas Lamont of J. P. Morgan and Company, head of the American group, and the most prominent figure in the public transactions of the Consortium:

“Owing to the war [says Mr. Lamont], the British and French markets may be unable for some years to come to purchase any large amount of foreign securities, either of China or any other nation. [Mr. Lamont might also have referred here to the panic in Japan, and the consequent inability of that country to make heavy loans abroad.] The American group, therefore, has by force of circumstances jumped from an inconspicuous position in the old consortium to one of prime importance in the new.

“In this, America, as represented by the group, should be equipped to play a very important part. If so equipped, she will

be able to envisage the situation so as to lay out, with her experienced partners, Great Britain, France and Japan, a sound and comprehensive plan for the economic and financial development of China . . . Through her representatives at Peking, she will be able sympathetically to wield influence upon the present confused elements."

From the language of this statement, one gathers that Mr. Lamont does not take very seriously the provision in the official agreement for "complete equality among the groups in all business undertaken by the Consortium." When read in connection with the other provisions already quoted, this clause seems to provide only for an equality of opportunity for investment; not a very real equality, when only one of the Powers has funds to spare; and the provision that each group shall undertake to liquidate its own engagements would seem to indicate that control over China's assets, and consequently the power exercised in that country, is to be proportional to investment.

The "representatives" of whom Mr. Lamont expects such novel achievements can hardly be the members of our diplomatic corps, who have been carrying on their obscure affairs in China these many years. The classicification seems to apply more accurately to the ambassadors of the American banking-group, of whom the first is Mr. Frederick W. Stevens, formerly of J. P. Morgan and Company.

In the paragraphs just quoted, no specific information is furnished as to what Mr. Stevens's duties will be, although one may infer that his attention will not be confined to matters of a non-political and routine na-

ture. As the representative of the principal creditors of China, Mr. Stevens will probably be held responsible for such a political and financial rehabilitation of the country as is necessary to secure the safety of the American loans. His duties may turn out to be somewhat like those of a British Resident in India, with this minor distinction, that the Britisher is responsible to his Home Government, while Mr. Stevens is responsible to a group of private individuals who happen to have money to lend.

In sum, then, and in its simplest elements, the situation is substantially this: Against China's great need, there is opposed the Consortium's great power. The Chinese Government must have funds, but it can not furnish the ordinary security for repayment. The chief lenders, being in combination, are in a position to demand the most substantial guarantees. Only by a greater or less participation of the lenders in the sovereign control of China, can these guarantees be made really effective. The American banking-group is the only lender in a position to make large advances, and in the natural course of events this group will control the major share of this peculiar security. In the handling of this security—that is, in the exercise of a certain measure of control over the affairs of China—the American financiers will have the full support of their Government; for proof of this last statement, doubting readers are referred once more to the note which opened the Consortium-negotiations, wherein it was stated that “the American Government will be willing . . . to take every possible step

to insure the execution of equitable contracts made in good faith by its citizens in foreign lands." In this connection, it should also be remembered that the Harding Administration has now underwritten the scheme which the Wilson Administration formulated with so much care.

If the American holders of Mexican bonds had made their investments with the backing of such a promise as this; if they had banded themselves together, under the sanction of the State Department, for the purpose of maintaining at Mexico City a Resident whose business it was to "co-operate" with the Mexican authorities in keeping the country in a prosperous condition and ready to meet her obligations; if the Mexican Government had then chosen to take some measures which the American Resident considered unfavourable to the interests of his employers; or if the revolutionists had tumbled over the Government and the Resident together; where, in all probability, would the matter of intervention stand to-day? What is meant by the American Government's promise to take every possible step to ensure the execution of contracts, if it is not a promise to use force, when necessary, for the maintenance of that partial American control of China which must be America's only substantial security for loans to China? How would one demonstrate to a Japanese patriot the difference between a dominant financial interest so supported, and an American protectorate? What answer would one make to the statement that England and France, secure in the possession of their old spheres, and in spite of the opposition of Japan, have given America

what is left of China as her share of the spoils of the war?

But here again the names of nations do duty where the names of Governments and financial groups should stand. Substitute for metaphysical terms those which correspond with the facts, and new questions suggest themselves; this time for domestic application. Where, for instance, were the anti-Leaguers when the Government and the financiers pledged the country to this grand adventure in one of the most troublous regions on earth? Who will provide for an increase of American credit facilities, already far short of business needs, when more millions have been drawn off for use in this new imperialist enterprise? How can the proceeds of the Chinese loans be as widely distributed as the cost of armaments, and the risks of war that are involved? Whose Consortium is this? Does it belong to the people who share its profits, or to the people who bear its risks? And if the good folk of the latter class could once get their hands on this scheme, how long would it last?

Pamphlets

on important subjects, written with authority, presenting important matters briefly. These neatly printed paper-covered books are good enough for the best library, but it is hoped that, because of their low price, readers will pass them on so that every copy may be in constant circulation.

THE FREEMAN PAMPHLETS

ANTHONY, KATHARINE (editor), *The Endowment of Motherhood* (50c).

BLOK, ALEXANDER, *The Twelve* (50c).

DEMARTIAL, GEORGES, *Patriotism, Truth and War Guilt* (50c).

HACKETT, FRANCIS (editor), *On American Books* (50c).

HILLQUIT, MORRIS, *Socialism on Trial* (50c).

HIRSCH, MAX, *An Analysis of Socialism* (50c).

RUSSELL, GEORGE W. ("Æ"), *The Economics of Ireland* (25c).

STREIT, C. K., "Where Iron Is, There Is the Fatherland" (50c).

TOLSTOY, LEO, *A Great Iniquity* (25c).

BULLITT, WILLIAM C., *The Bullitt Mission to Russia* (50c).

FOSTER, WM. Z., *The Great Steel Strike and Its Lessons* (\$1.00).

HENDERSON, ARTHUR, *The Aims of Labour* (50c).

LEVINE, LOUIS, *The Taxation of Mines in Montana* (\$1.00).

MOREL, E. D., *Truth and the War* (\$1.25).

“ “ “ *Africa and the Peace of Europe* (\$1.25).

“ “ “ *Ten Years of Secret Diplomacy* (\$1.25).

“ “ “ *Red Rubber* (\$1.25).

PHILLIPS, MARION, and others, *Women and the Labour Party* (50c).

WEBB, SIDNEY, *The Restoration of Trade Union Conditions* (50c).

For sale at all good bookstores, or of

B. W. HUEBSCH, Inc., *Publisher*, NEW YORK CITY

THIS BOOK IS DUE ON THE LAST DATE
STAMPED BELOW

AN INITIAL FINE OF 25 CENTS

WILL BE ASSESSED FOR FAILURE TO RETURN
THIS BOOK ON THE DATE DUE. THE PENALTY
WILL INCREASE TO 50 CENTS ON THE FOURTH
DAY AND TO \$1.00 ON THE SEVENTH DAY
OVERDUE.

NOV 6 1930

JUN 22 1935

MAY 27 1939

28 Mar '51 WK

R. ALBERT
bility and
l, especial-
pments in
discussion
omics. In
t concerns
cal events,
economic

sentiment
d unifying
s grounded
performed
and that a
o no better

respect the
uracy, im-
any sense
résumé of
s of special
ing a large

essed, upon
and foreign

may be ob-
ptions rates
in Canada,
oo. Or you

Gaylord Bros.
Makers
Syracuse, N. Y.
PAT. JAN. 21, 1908

YB 28

DS740

459125

US 74

UNIVERSITY OF CALIFORNIA LIBRARY

